



NETWORK MARKETING: IGNORE RELATIONSHIP - ITS REALITY

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ABSTRACT

The Network Marketing, first popularized by Amway, in 1950s in USA is gaining momentum in India. The total turnover of network marketing companies in India was estimated at Rs 27650 crores in 2021 with an annual growth rate of 22%. The India Direct Selling Association (IDSA) has projected that the network marketing industry will be around Rs 64500 crores by 2025. Studies have shown that consumers often have negative perception of direct selling organisations and network marketing organisations in particular. The aggressive selling techniques, exaggerations of facts in recruiting, pyramiding scams and unethical way of exploiting relationships all together form a basis for this negative perception. The paper presents the exploitation of Relationships viz friends, relatives and colleagues and attitude of channel members in network marketing.

KEYWORDS: network marketing, relationship

INTRODUCTION

Business organisations have long relied on direct marketing to target customers without spending a lot of money on retail distribution. However the Network (Multilevel) Marketers have taken the direct model one step further, i.e. not only they do the sales, but recruit and train new distributors i.e., independent sales persons who are members in the network marketing company. This 'ingenious' method was first popularised by Amway in 1950's. The big draw card in network marketing is the commission paid not only for direct sales made by the salesperson, but also from the sales made by the recruits made by him. That is, if you get friends and relatives to join up, you get a commission not only from the products your friends and relatives purchase, but also from the sales they make to their friends (Bloch, 1996). This 'wonderful' opportunity attracts prospective candidates to join network marketing companies. Studies reiterate the fact that a 100 percent annual turnover rate among sales personnel in certain network marketing company is not unusual (Peterson & Wotruba, 1996). According to the Direct Selling Association in the United States, 70% of the revenue from the direct selling industry was generated by network marketing companies (Coughlan & Grayson, 1998) and most of this came from the better known companies, such as Amway, Nuskin or Shaklee, that use multilevel instead of single level compensation plans. In the case of India, network marketing momentum was conspicuous in India during mid 90's followed by the establishment of the Indian arm of Amway Corporation. The total turnover of network marketing companies in India was estimated at Rs.64,500 crores in 2025 with an annual growth rate of 25% (IDSA, 2021). Amway India, Avon, Tupperware, Oriflame and desi companies like Modicare, Hindustan Lever Network are the major network marketing players in the Indian market. Indian Direct Selling Association (IDSA) facilitates membership to genuine network marketing companies. The IDSA projection for 2025 for the network marketing industry is Rs.64,500 crores. According to National Council of Applied Economic Research, the Indian middle class was projected to grow from 2.1 crore households in 2013-14 to 2.7 crore households in 2017-18 and the figure is expected to be 3.9 crore by 2024-25. The above figures justify the rosy picture of network marketing in India. However, studies carried out by IDSA (2021), suggest that consumers often have negative perceptions of direct selling organizations and network marketing organization in particular. The aggressive selling techniques, exaggeration of facts in recruiting and pyramiding scams (Kustin & Jones, 1995) altogether formed a basis for this negative perception. Then there are others like Koehn (2001), who have dubbed MLM schemes as unethical, and guilty of 'instrumentalising' relations rooted in love and affection and as such is socially and psychologically unacceptable to most people in our society (Bloch, 1996). The researchers in this study propose to explore whether such a phenomenal growth of network marketing in India is because of the exploitation of relationships with friends and relatives.

METHODOLOGY:

The study was based on primary data, derived through a customer survey using pre-tested structured instrument (Questionnaire). In order to study the exploitation of relationships in network marketing, the researcher used the multi level marketing company, Amway and its network customers as the respondents. The said company is chosen because it is the leading firm in the Network marketing sector in Kerala and India. The instrument consisted of questions pertaining to what motivated them to join Network Marketing Chain, whether the decision was rational or emotional, whether such a venture was profitable or not, and whether the same method was employed to recruit other members etc. The final questionnaire was prepared using a pilot study among one customer group,

namely among the chain members of Amway at Changanacherry. Data was collected from 140 respondents using convenient sampling method so that it should reflect the objectives of the study. The sample was drawn from Amway outlet at Ernakulam for 5 consecutive days while the channel members were in the outlets for getting products. They were approached with the questionnaire and data were collected. The sample of respondents were segmented and classified into three classes based on experience in Amway's network marketing. Out of 140 respondents, 48 were below 2 years, 57 between 2 to 5 years and 35 were above 5 years. For testing hypotheses, Chi – square tests were administered at 5% level of significance.

RESULT:

Good marketing helps you gain data and metrics to learn more about your target audience(s), so you can be more targeted in your strategy and advertising. Fact. A targeted marketing strategy based on data about your customers is one of the best ways to develop multiple revenue streams from segmented audiences.

CONCLUSION:

The study found that there is exploitation of relationships in network marketing. People join the network marketing mainly because of persuasion by friends and relatives. Network members who were in the business for the last two years, contacted relatives more than friends and colleagues to join as channel members while those who had more than two years experience contacted friends more than relatives and colleagues. Another way of looking at it is that Network members having less than two years experience in business were exploited more by relatives than friends and colleagues while those who have got more than two years experience were exploited by friends more than relatives and colleagues. The primary motive of Network members who are in the business for upto five years was the additional income generation, whereas it has become a career for those who are above five years in this business. In summary, the conclusions drawn from the study are: ¾ The network marketing exploits the relationships viz friends and relatives. (Null hypotheses 01 is not supported). ¾ Both relatives and friends get exploited in network marketing. (Null hypotheses 02 is not supported) ¾ Despite this the channel members are having a positive attitude towards the venture. (Null hypotheses 03 is not supported)

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